

Mr. GREGG. I urge the amendment be agreed to.

The PRESIDING OFFICER. Is all time yielded back?

Mr. GREGG. Yes.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 2422) was agreed to.

#### AMENDMENT NO. 2392

Mr. GREGG. Mr. President, I wish to reiterate my statement which was inadvertently omitted from yesterday's RECORD with regard to amendment No. 2392 that we will support an effort to pass legislation to make the technical change deleted from our bill in a more appropriate vehicle.

#### PHARMACY DISPENSING FEES

Mr. REED. Mr. President, I engage my colleague, the Chairman of the Senate Finance Committee, in a colloquy about his intent regarding Medicaid pharmacy dispensing fees in the Medicaid pharmacy reimbursement reform section of the Budget Reconciliation Act.

As I understand the intent of these provisions, States are required to pay dispensing fees to pharmacies for Medicaid prescriptions, but there are no specific minimum fees set forth in the bill. States are given some guidance regarding the factors to use when setting the fees, but there are no requirements to do anything more than take those factors into "consideration" when setting fees.

I am concerned that the States will not be able to accurately account for these factors when setting these dispensing fees. As a consequence, pharmacies will be paid significantly less for the drug product that they provide to Medicaid recipients. This could make it difficult for Medicaid recipients to continue to obtain their prescription medications from their neighborhood pharmacy, and many pharmacies may have to close or reduce hours. The total payment to pharmacies for the drug product and dispensing fee must be adequate to pay pharmacies to buy the drug, dispense the medication, and have a reasonable return. It is my understanding that States would have to pay double or triple the dispensing fees currently being paid to he pharmacies just to break even.

I am also concerned that States do not have any guidance or direction in the bill on how to set their dispensing fees for generic drugs in relation to brand name drugs. While the bill does say that States should set dispensing fees for non innovator multiple source drugs higher than innovator multiple source drugs that are therapeutically equivalent and bioequivalent, I urge that the language require that fees for generic drugs in general be set higher than fees for brand name drugs. This will encourage the dispensing of generic drugs which can be one-fifth the cost of a brand name drug.

Mr. GRASSLEY. I thank the Senator for his concerns and want to clarify for

him the intent of the bill regarding dispensing fees and respond to some of his concerns. I agree that States will need to review and increase the fees that they pay pharmacies for dispensing Medicaid prescriptions. We want to be sure that Medicaid recipients can continue to have access to prescription medications from their local pharmacies. Coming from a rural State, I know that many of my constituents rely on pharmacies for health care services and the pharmacist may be the only health care professional for many miles.

The overall assumptions made in the bill is that States will increase their dispensing fees to account for the fact that States would probably be paying pharmacists a lower amount for the drug product that more accurately reflects the cost of the drug product that is being dispensed. The amount of the dispensing fee increase will depend on many factors in each State.

We expect that each State will regularly undertake surveys of current pharmacy dispensing costs to determine their dispensing fees, and that such costs would include those that are listed in the bill. States would set their dispensing fees based on those surveys. We also expect that States will pay pharmacies a reasonable return for dispensing Medicaid prescriptions.

Our expectation is that States will do all they can to encourage the dispensing of generic drugs in Medicaid. It is my expectation that States will set significantly higher fees for generics than for brands, such as one and a half or twice the brand name fee. If an innovator multiple source drug is less than or equal to the cost of a generic, then the State should pay the generic dispensing fee for that drug.

Mr. REED. I thank the Chairman for his clarification regarding dispensing fees. I look forward to working with you as this process moves forward to ensure that any reforms in the Medicaid pharmacy payment system will provide adequate reimbursement to pharmacies for dispensing Medicaid prescriptions since beneficiary access to lifesaving medications depends on pharmacies to dispense them.

#### MEDICAID WAIVERS

Mr. ROCKEFELLER. Last month, the Centers for Medicare and Medicaid Services—CMS, approved a comprehensive Section 1115 waiver for the State of Florida, the latest in a string of waivers that allows States to dramatically reshape the financing and entitlement guarantees established by law in the Medicaid program. These far-reaching Medicaid waivers are generally negotiated in secret without input from the very beneficiaries who would be affected by such drastic changes to the program. That is why I have filed an amendment to this budget reconciliation bill that will require CMS to post public notification on their website within 5 business days whenever a State submits a waiver concept paper for feedback or a formal waiver proposal for discussion and review.

Mr. GRASSLEY. Senator ROCKEFELLER, I share your concerns about the Section 1115 waivers recently negotiated by CMS and several States, including Florida and Vermont. I am also concerned about pending waivers being negotiated in South Carolina, Kentucky, Georgia and West Virginia. Medicaid is a joint Federal-State partnership in all respects, including its financing, and both Congress and beneficiaries should be aware of the extent to which CMS is negotiating waivers with States that modify the Federal-State financing relationship or the Federal guarantee of health benefits. CMS has taken several steps to improve the waiver information available on its website since early 2002. However, as you pointed out at the Finance Committee hearing last week, CMS does not post notification on their website when they have received formal or informal communication from a State regarding a waiver and the "State Waiver Programs and Demonstrations" portion of the website is not updated by CMS on a regular basis.

Mr. BAUCUS. Senator GRASSLEY, I think it is more than just a question of transparency. It is also a question of legality. In many cases, the content of the waivers that CMS is negotiating fundamentally alters the Federal guarantee of Medicaid benefits. This is not the intended purpose of Medicaid demonstration authority. Section 1115 waiver authority allows the Secretary of the Department of Health and Human Services to waive certain provisions of the Medicaid program if the changes are determined to "promote the objectives" of Medicaid. I am concerned that the current waivers being approved by CMS go well beyond CMS' authority and that Congress should be more vigilant in its oversight.

Mr. GRASSLEY. Senator BAUCUS, I certainly appreciate your views on this issue. You and I have worked hard over the last couple of years to improve Medicaid waiver transparency, and I think we have made some progress. But, I understand your desire to do more. I want to continue working with you to ensure that the Senate Finance Committee fulfills its oversight obligation in this area. I also think that the Medicaid waiver amendment that Senator ROCKEFELLER is offering has merit, and I would like to continue working with him to improve the waiver information available on CMS' website.

Mr. ROCKEFELLER. Chairman GRASSLEY, I thank you for your willingness to work with me. This is a matter of good government. The Government Accountability Office has published several reports which indicate that the Department of Health and Human Services has failed to follow its own policy on providing opportunities for the public to learn about and comment on pending waiver requests. Congress has a responsibility to assert its oversight authority on Section 1115 waivers because Medicaid is too important a program to allow it to be waived